

capital, except perhaps in 1900, but in the fact that the growth of business in Germany required a larger volume of circulating medium.

In the revision of the charter of the bank by the law of June 7, 1899, the new conditions were recognized. The government proposed an increase in the authorized uncovered circulation to 400,000,000 marks, and this limit was raised by the Reichstag to 450,000,000 marks (\$107,000,000). Soon after these limits became effective, on January 1, 1901, the Frankfort Bank (in March, 1901) and the Bank of South Germany (in June, 1902) surrendered their fixed issues of 10,000,000 each to the Imperial Bank, and in 1906 a third institution, raising its total authorized or "uncovered" issue to 472,829,000 marks (\$112,500,000).

The object of this elevation of the limit of authorized circulation was to avoid imposing an unwarranted burden of taxation upon the circulation when it was only at the amount required by normal conditions. The effect was reflected in the statement of excess issues as soon as the new limit took effect, which was at the beginning of 1901. The limit of untaxed circulation was exceeded during only five weeks in that year; three weeks in 1902; seven weeks in 1903; eight weeks in 1904; nine weeks in 1905; and seventeen weeks in 1906. The amount of tax paid was only 352,684 marks (\$83,800) in 1901, and prior to the pressure of 1907 reached a maximum under the new order of things of 3,692,350 marks (\$880,000) in 1906.

The highest amount attained by the excess circulation prior to the operation of the new limit was 371,233,061 marks in the week ending September 30, 1899. It was this September week of the autumn crop movement and the close of the financial quarter which almost invariably showed the largest issues. Even the outbreak of the war between Russia and Japan in 1904, which caused a temporary panic on the bourses of Berlin and Paris, did not compel the issue of any taxed circulation until the quarter-end on March 31st, when the amount was 166,126,902 marks, while the limit reached on September 30th, after the peace, was 305,038,527 marks,